

May 23, 2024

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Notice Regarding Notes on Matters Related to Going Concern Assumption and (Correction)  
Partial Correction of Consolidated Financial Results for the Twelve Months Ended March  
31, 2024 [Under Japanese GAAP]

Nippon Den kai, Ltd. ("the Company", TSE:5759) hereby announce that our Board of Directors has resolved at a meeting held on May 23, 2024 to add the following note regarding the premise of a going concern of Consolidated Financial Results for the Twelve Months Ended March 31, 2024 [Under Japanese GAAP].

1. Background to the addition of this note

In the "Consolidated Financial Results for the Twelve Months Ended March 31, 2024 [Under Japanese GAAP](Consolidated)" (hereinafter referred to as the "Financial Results Summary") disclosed on May 15, 2024, in "1. Qualitative Information on Financial Results (5) Material Events and Other Matters Regarding Going Concern Assumption " the Company has recorded significant operating losses, ordinary losses, and net losses attributable to owners of the parent company in the previous consolidated fiscal year (ending March 2023) and the current consolidated fiscal year (ending March 2024), and as of the end of the current consolidated fiscal year, Nippon Den kai group ("the Group") this violated the financial covenants attached to the syndicated loan and fell under the events of forfeiture of the benefit of the term, etc.. therefore the Company has described measures to resolve these events or situations.

At the time of the announcement of the Financial Results Summary, the Company did not describe notes on going concern assumption, as the Company believed that there were no material uncertainties regarding the premise of a going concern, taking into account the implementation and progress of each measure.

However, the audit procedures for the Financial Results Summary for the fiscal year ended March 31, 2024 had not been completed at the time of the announcement of the Financial Results Summary. After another discussion with the accounting auditor, the Company has decided to add notes to the financial statements for the fiscal year ended March 31, 2024 and change the descriptions. Please refer to "2. Notes on Going Concern Assumption" for the details of the note.

## 2. Notes on going concern assumption

Following on from the previous consolidated fiscal year, the Group recorded significant operating losses, ordinary losses, and net losses attributable to owners of the parent in this consolidated fiscal year as well. In addition, as the balance of short-term borrowings and long-term borrowings due within one year is high compared to cash on hand at the end of this consolidated fiscal year, the Group is in a difficult position to repay these borrowings.

As a result of the above, some events or situations may cast significant doubt on the Group's ability to continue as a going concern.

In response to this situation, the Group has set the following business policies to improve profitability to resolve this event or situation: (A) shift to high value-added fields, (B) further strengthen technological capabilities, (C) expand business synergies with Denkai America, Inc. (“Denkai America”), and (D) improve margins and reduce manufacturing costs through price revisions.

(A) The shift to high value-added fields: The Group will focus on copper foil for high-performance automotive batteries, where we can take advantage of our technological superiority, quality and reliability, and copper foil for high-frequency circuit boards targeting the high-speed communication field, aiming to improve the sales ratio of highly profitable products.

(B) Further strengthening of technological capabilities: The Group will strive to ensure cost competitiveness by further improving product quality and production efficiency through the promotion of process technology development. At the same time, the Group will also promote the development of products that meet future market needs. Regarding EV batteries copper foil, the Group will develop and launch products with special mechanical properties and surface treatment that meet the required characteristics of next-generation LIBs such as advanced LIBs and all-solid-state batteries. Regarding circuit boards copper foil, the Group will continue to develop and launch products targeting high-speed communications and high-density packaging areas.

(C) Expansion of business synergies with Denkai America: In response to the recent rapid shift to EV in the automotive industry and the growing global demand for copper foil for automotive LIBs, the Group will promote the development of a system to start production of EV batteries copper foil at the U.S. plant and promote a system that will enable the Company and Denkai America to supply EV batteries copper foil. In response to the growing global demand for copper foil for LIBs, the Group and its consolidated subsidiaries will promote the establishment of a system that will enable them to begin production of copper foil for automotive batteries. The Company and Denkai America will also consider further expansion of production capacity to meet demand. Denkai America is an electrodeposited copper foil manufacturer with a long history of production in the U.S., and its customers, LIB

cell manufacturers, are constructing new plants in the U.S. Den kai America will take advantage of its location to supply products to the U.S. market.

(D) Improving margins and reducing manufacturing costs through price revisions: The Group will continue to work on expanding the scope of reflecting electricity price fluctuations in selling prices to secure appropriate margins, and in addition to cost reductions, the Group will reduce manufacturing costs by adopting effects by digital transformation in the plants.

Furthermore, on the funding side, the Group has an agreement with financial institutions with which we do business not to exercise the right to forfeit the benefit of time, etc., so that we expect to continue being supported by financial institutions, although the Group was in breach of financial covenants at the end of the current fiscal year. In addition, the Group is working to secure and maintain stable business and working capital by selling assets held and carefully selecting and restraining capital investment projects, while improving and strengthening its financial position and considering all possible capital policies to enhance its working capital.

However, at present, our Group's countermeasures are still in the process of being implemented, and depending on future business progress and the status of additional fundraising, there is a possibility that this may have a significant impact on our Group's cash flow, so we recognize that there is significant uncertainty regarding our going concern assumption.

Please note that our consolidated financial statements have been prepared based on the going concern assumption, and the impact of significant uncertainties regarding the going concern assumption is not reflected in these consolidated financial statements.

### 3. Partial Correction of Financial Results Summary

In connection with the above-mentioned addition of “Notes on going concern assumption,” the Company has made the following corrections to the “Consolidated Financial Results for the Twelve Months Ended March 31, 2024 [Under Japanese GAAP](Consolidated)” dated May 15, 2024. The revised sections are underlined.

#### (1) Corrections

(Page 4 of Financial Results Summary)

【Before correction】

#### (5) Material Events and other Matters Regarding Going Concern Assumption

In the previous consolidated fiscal year, the Group recorded an operating loss of 1,611 million yen, an ordinary loss of 1,840 million yen, and a net loss attributable to owners of the parent of 1,933 million yen. In the current consolidated fiscal year, the Group recorded an operating loss of 1,034 million yen, an ordinary loss of 1,288 million yen, and a net loss attributable to owners of the parent of 874 million yen. In addition, at the end of the current fiscal year, the Group violated the financial

covenants attached to the syndicated loan agreement and fell under the events of forfeiture of the benefit of time, etc.

As a result of the above, some events or situations may cast significant doubt on the Group's ability to continue as a going concern.

In response to this situation, the Group has set the following business policies to improve profitability to resolve this event or situation: (A) shift to high value-added fields, (B) further strengthen technological capabilities, (C) expand business synergies with Den kai America, Inc. (“Den kai America”), and (D) improve margins and reduce manufacturing costs through price revisions.

(A) The shift to high value-added fields: The Group will focus on copper foil for high-performance automotive batteries, where we can take advantage of our technological superiority, quality and reliability, and copper foil for high-frequency circuit boards targeting the high-speed communication field, aiming to improve the sales ratio of highly profitable products.

(B) Further strengthening of technological capabilities: The Group will strive to ensure cost competitiveness by further improving product quality and production efficiency through the promotion of process technology development. At the same time, the Group will also promote the development of products that meet future market needs. Regarding EV batteries copper foil, the Group will develop and launch products with special mechanical properties and surface treatment that meet the required characteristics of next-generation LIBs such as advanced LIBs and all-solid-state batteries. Regarding circuit boards copper foil, the Group will continue to develop and launch products targeting high-speed communications and high-density packaging areas.

(C) Expansion of business synergies with Den kai America: In response to the recent rapid shift to EV in the automotive industry and the growing global demand for copper foil for automotive LIBs, the Group will promote the development of a system to start production of EV batteries copper foil at the U.S. plant and promote a system that will enable the Company and Den kai America to supply EV batteries copper foil. In response to the growing global demand for copper foil for LIBs, the Group and its consolidated subsidiaries will promote the establishment of a system that will enable them to begin production of copper foil for automotive batteries. The Company and Den kai America will also consider further expansion of production capacity to meet demand. Den kai America is an electrodeposited copper foil manufacturer with a long history of production in the U.S., and its customers, LIB cell manufacturers, are constructing new plants in the U.S. Den kai America will take advantage of its location to supply products to the U.S. market.

(D) Improving margins and reducing manufacturing costs through price revisions: The Group will continue to work on expanding the scope of reflecting electricity price fluctuations in selling prices to secure appropriate margins, and in addition to cost reductions, the Group will reduce manufacturing costs by adopting

effects by digital transformation in the plants.

Furthermore, on the funding side, the Group has an agreement with financial institutions with which we do business not to exercise the right to forfeit the benefit of time, etc., so that we expect to continue being supported by financial institutions, although the Group was in breach of financial covenants at the end of the current fiscal year. In addition, the Group is working to secure and maintain stable business and working capital by selling assets held and carefully selecting and restraining capital investment projects, while improving and strengthening its financial position and considering all possible capital policies to enhance its working capital.

As a result of the above, the Group has determined that there are no significant uncertainties regarding the premise of a going concern.

【After correction】

(5) Material Events and other Matters Regarding Going Concern Assumption

Following on from the previous consolidated fiscal year, the Group recorded significant operating losses, ordinary losses, and net losses attributable to owners of the parent in this consolidated fiscal year as well. In addition, as the balance of short-term borrowings and long-term borrowings due within one year is high compared to cash on hand at the end of this consolidated fiscal year, the Group is in a difficult position to repay these borrowings.

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(Page 13 of Financial Results Summary)

【Before correction】

(5) Major Notes about Consolidated Statements

(Notes on going concern assumption)

Not applicable

【After correction】

(Notes on going concern assumption)



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## (2) Reason for the Correction

Please refer to “1. Background to the addition of this note” for the reason for this correction.